AFOPO & DCAA
PREPARING PROPOSALS
APRIL 23, 2003

PRESENTED BY

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FINANCIAL LIAISON ADVISOR

AGENDA

- Vital Elements of A Proposal
- Common Deficiencies Found in Proposals
- Example of Submitted Proposal, including
  - ❖ Cost Elements
  - ❖ Overhead Rate Calculation
  - ❖ G&A Rate Calculation

VITAL ELEMENTS OF A PROPOSAL

- **Summary - Total Cost Elements**
- **Consolidated Price Bill of Materials**
  - **Types, Quantities, Cost**
  - **FAR 15.408, Table 15-2 II.A.**
- **Breakdown of Labor (FAR 15.408, Table 15-2 II.B.)**
  - **Hours**
  - **Rates, and Costs by Appropriate**

VITAL ELEMENTS OF A PROPOSAL

- **Details:**
  - ✓ **How Indirect Costs Are Computed**
  - ✓ **How Indirect Costs Are Applied,**
  - ✓ **Cost Breakdowns, Trends, and Budgetary Data (FAR 15.408, Table 15-2 II.C.)**
- **Identification of All Other Costs by Category and Basis for Pricing (FAR 15.408, Table 15-2 II.C.)**

COMMON DEFICIENCIES

- **Lack of A Consolidated Bill of Materials**
- **Lack of Data to Evaluate Indirect Rates**
- **Failure to:**
  - ✓ **Conform to the Specifications-Buying Activity**
  - ✓ **Identify Places or Periods of Performance**
  - ✓ **Disclose Basis for Pricing Other**

COMMON DEFICIENCIES

(Con't)

- **Failure To:**

  ✓ **Provide The Basis for Proposed Material, Labor and Indirect Costs.**

  ✓ **Comply With The Requirements Set Forth in FAR 15. 408, Table 15-2**

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to RFP DAAH01-02-R-0001

Element of Cost		Amount	Reference
Engineering Labor		$452,151	
Schedule 1			
Manufacturing Labor	26,412		Schedule 1
Direct Labor Overhead @ 56.7%		271,345	
Schedule 2			
Material		113,175	
Schedule 3			
Material Handling Overhead @ 5.0%		5,659	
Schedule 4			
Subtotal	$868,742		
G&A @ 8.0%	69,499		Schedule 5
Estimated Cost		$938,241	
Profit @ 10.0%	93,824*		
Total Price	**$1,032,065**		
	========		

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Schedule 1

Engineering Labor Cost

Labor Category	2002	2003	2004	
Program Manager	$23,174	$27,079	$18,967	$
Senior Engineer	31,668	24,939	20,370	
Junior Engineer	39,816	34,845	21,951	
Engineering Aide	26,100	8,377	800	
Technical Writer	-	-	15,876	15,876
Metallurgist	35,815	23,748	14,546	
Draftsman	41,690	29,850	12,540	
Total D/L – Eng	**$198,263**	**$148,838**	**$105,050**	**$4**
	(Sched 1A)	(Sched 1B)	(Sched 1C)	

Manufacturing Labor Cost

Labor Category	2002	2003	2004	T
Fabrication	$4,340	$6,834	$7,176	$
Assembly	-	1,942	6,120	
Total D/L – Mfg	**$4,340**	**$8,776**	**$13,296**	**$**
	(Sched 1A)	(Sched 1B)	(Sched 1C)	
Total Direct Labor	$202,603	$157,614	$118,340	$478

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Schedule 1A

2002 Engineering Labor Cost

Labor Category	Rate/Hr	Hours	Total
Program Manager	$33.93	683	$23,174
Senior Engineer	26.39	1,200	31,668
Junior Engineer	22.12	1,800	39,816
Engineering Aide	14.50	1,800	26,100
Technical Writer	16.00	-	-
Metallurgist	18.85	1,900	35,815
Draftsman	18.95	2,200	41,690
Total D/L – Eng		**9,583**	**$198,263**

2002 Manufacturing Labor Cost

Labor Category	Rate/Hr	Hours	Total
Fabrication	$10.85	400	$4,340
Assembly	9.25	-	-
Total D/Labor – Mfg		**400**	**$4,340**

Total Direct Labor $202,603

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Schedule 1B

2003 Engineering Labor Cost

Labor Category	Rate/Hr	Hours	Total
Program Manager	$35.63	760	$27,079
Senior Engineer	27.71	900	24,939
Junior Engineer	23.23	1,500	34,845
Engineering Aide	15.23	550	8,377
Technical Writer	16.80	-	-
Metallurgist	19.79	1,200	23,748
Draftsman	19.90	1,500	29,850
Total D/L – Eng		**6,410**	**$148,838**

2003 Manufacturing Labor Cost

Labor Category	Rate/Hr	Hours	Total
Fabrication	$11.39	600	$6,834
Assembly	9.71	200	1,942
Total D/Labor – Mfg		**800**	**$8,776**

Total Direct Labor	$157,614

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Schedule 1C

2004 Engineering Labor Cost

Labor Category	Rate/Hr	Hours	Total
Program Manager	$37.41	507	$18,967
Senior Engineer	29.10	700	20,370
Junior Engineer	24.39	900	21,951
Engineering Aide	15.99	50	800
Technical Writer	17.64	900	15,876
Metallurgist	20.78	700	14,546
Draftsman	20.90	600	12,540
Total D/L – Eng		**4,357**	**$105,050**

2004 Manufacturing Labor Cost

Labor Category	Rate/Hr	Hours	Total
Fabrication	$11.96	600	$7,176
Assembly	10.20	600	6,120
Total D/Labor – Mfg		**1,200**	**$13,296**

Total Direct Labor	$118,346

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G&A @ 8.0%	69,499		Schedule 5
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Schedule 2

Cost Element	**2002**	**2003**	**2004**	**Total .**
D/L – Engineering	$198,263	$148,838	$105,050	$452,151
D/L – Manufacturing	4,340	8,776	13,296	26,412
Total Direct Labor	$202,603	$157,614	$118,340	$478,563
	(Sched 1A)	(Sched 1B)	(Sched 1C)	
D/L Overhead Rate	**56.7%**	**56.7%**	**56.7%**	**56.7%**
	(Schedule 2A)			
Direct Labor O/H	**$114,876**	**$89,367**	**$67,102**	

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Schedule 2A

Budget for FY 2002 Labor Overhead
Actual Overhead Expenses for FY 1999 - 2001

(Note 2)	**Budget**	**Actual Expenses (Note 1) .**	
Overhead Expenses	**2002**	**2001**	
		2000	**1999**
Indirect Payroll	$260,000		
Payroll Taxes	228,000		
Vacation	120,000		
Holiday	110,000		
Sick Leave	50,000		
Pensions	171,000		
Employee Morale	5,000		
Entertainment	50,000		
Office Equipment	7,000		
Depreciation	5,000		
Subscriptions	1,500		
Travel	22,000		
Miscellaneous	2,000		
Stationery	6,000		
Reproduction	17,000		
Maintenance	5,000		
Rent	202,000		
Telephone	11,000		
Insurance	102,000		
Total Pool	$1,374,500		
Less Unallowable Costs			
Entertainment	50,000		

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Schedule 2A

Budget for FY 2002 Labor Overhead
Actual Overhead Expenses for FY 1999 - 2001

(Note 2)	Budget	Actual		
Expenses (Note 1)				
Overhead Expenses	**2002**	**2001**	**2000**	**1999**
Net Allowable Expenses	**$1,324,500**			
Allocation Base				
Direct Labor	**$2,336,000**		**(Note 3)**	
Rate	**56.7%**		**(Note 4)**	

Explanatory Notes

(1) Provide the prior three years' actual overhead expense and allocation base in the same format as the budget for 2002. For the year 2001, actuals to date are provided.

(2) The projected overhead expenses are based on the company's operating budget for 2002. The operating budget supporting data is located in file "DAAH01-02-R-0001, Overhead Operating Budget" and is immediately available upon request.

(3) Includes Bid and Proposal Labor of $5,000

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Schedule 3

Shock Absorber Bill of Material

	(Note 3) Support	Qty	Unit Price	Total
	Notes			
Sheet Metal	1,600 sq. yd	$25.00		$40,000
	(1)			
Casings	750 pcs.	8.50		6,375
	(2)			
Plastic	7,500 pcs.	5.75		43,125
	(1)			
Springs	1,700 pcs.	4.00		6,800
	(2)			
Bolts	7,500 pcs.	2.25		16,875
	(2)			
Total Material				**$113,175**

Explanatory Notes

(1) These prices are supported by multiple vendor quotes. The proposed prices are those provided by the low bidder who was the ACME Corporation in their

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Schedule 4

Total Material	$113,175	Sched 3
Matl O/H Rate	5.0%	Sched 4A
Material Overhead	**$5,659**	

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Schedule 4A

Budget for FY 2002 Mat'l Overhead
Actual Overhead Expenses for FY 1996 - 2001

(Note 2)	Budget	Actual	
Expenses (Note 1)			
Material Handling Expenses	**2002**	**2001**	**2000** **1999**
Purchasing Department	$10,000		
Receiving Department	2,500		
Total Expenses	$12,500		
Less Unallowable Costs	- .		
Net Allowable Expenses	**$12,500**		
Allocation Base			
Materials	**$250,000**		
Material Overhead Rate	**5.0%**		**(Note 3)**

Explanatory Notes

(1) Provide the prior three years' actual material overhead expenses and allocation base in the same format as the budget for 2002. For the year 2001, actuals are provided to date.

(2) The projected material overhead expenses are based on the company's operating budget for 2002.

The operating budget supporting data is located in file "DAAH01-02-R-0001

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Material		113,175	Schedule 2
Material Handling Overhead @ 5.0%		5,659	Schedule 3
Subtotal	$868,742		Schedule 4
G&A @ 8.0%	**69,499**		**Schedule 5**
Estimated Cost		$938,241	
Profit @ 10.0%	93,824*		
Total Price	$1,032,065		

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Schedule 5

Engineering Labor	$452,151	
Schedule 1		
Manufacturing Labor	26,412	Schedule 1
Direct Labor Overhead @ 56.7%	271,345	
Schedule 2		
Material	113,175	
Schedule 3		
Material Handling Overhead @ 5.0%	5,659	
Schedule 4		
Total Cost Input	**$868,742**	
G&A Rate	**8.0%**	Schedule 5A
G&A	**$69,499**	

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Schedule 5A

Budget for FY 2002 G&A
Actual G&A Expenses for FY 1999 – 2001

	(Note 2) Actual Expenses (Note 1) 2002 Projected G&A Expenses			Less Unallow	Net Allow Expenses
	2001	2000	1999		
Payroll Taxes			$16,000	$16,000	
Officers' Salaries			165,000	165,000	
Indirect Salaries			21,000	21,000	
Interest			14,000	$14,000	-
Vacation			11,000	11,000	
Holiday			9,000	9,000	
Sick Leave		5,000			5,000
Contributions			8,000	8,000	-
Pensions			12,000	12,000	
Office Equipment			1,000	1,000	
Depreciation			2,500	2,500	
Travel			10,000	10,000	
Miscellaneous			2,000	2,000	
Legal Fees		7,000			7,000
Accounting Fees			7,000	7,000	
Computer			17,500	17,500	
Rent			15,000	15,000	
Advertising		8,500		8,500	
-					
Telephone		3,000			3,000
Insurance	7,000				7,000
Total Pool	$341,500			$30,500	$311,000

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Schedule 5A

Budget for FY 2002 G&A
Actual G&A Expenses for FY 1999 – 2001

	(Note 2) Actual Expenses (Note 1) 2002 Projected G&A Expenses			Less Unallow	Net Allow Expenses
	2001	2000	1999		
Total G&A and B&P		**$350,000**		**$30,500**	**$319,500**
Allocation Base					
Labor	$2,331,000				
Overhead	1,371,665	**(Note 4)**			
Other Direct Costs	29,000				
Materials	250,000				
Material Overhead	12,500				
Total Base		**$3,994,165**			
G&A Rate		**8.0%**			
(Note 5)					

Explanatory Notes

(1) Provide the prior three years' actual G&A expenses and the allocation base in the same format as the 2002 budget. For the year 2001, actuals are provided to date.

(2) The projected G&A expenses are based on the company's operating budget for 2002. The operating budget supporting data is located in file "DAAH01-02-R-0001, G&A Operating Budget" and is available immediately upon request.

UNALLOWABLE COSTS

<u>Accounting for Unallowable Costs</u> (FAR 31.201-6)

Expressly Unallowable Costs & Directly Associated Costs must be:

- **Identified**
- **Excluded from**
  - ✓ **Billings**
  - ✓ **Claims**
  - ✓ **Proposals**

PREPARING FOR AN AUDIT

- **Reasonably Available for The Audit**
- **Personnel Familiar Readily Available**
- **An Adequate Accounting System**
- **Detailed Schedules Used Available**

PREPARING FOR AN AUDIT

- **Data Related to the Proposed Costs (Supporting Documentation) Readily Available**
- **Provide the Proposal and Supporting Data in Electronic Format**
- **Financial Statements of the Company**

SUMMARY

- Elements of A Proposal
- Common Deficiencies
- Example of A Submitted Proposal
- Preparation for An Audit

Presenter's Information

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